
State:	District of Columbia	Filing Company:	Fidelity Security Life Insurance Company
TOI/Sub-TOI:	H17G Group Health - Prescription Drug/H17G.000 Health - Prescription Drug		
Product Name:	Group Outpatient Prescription Drug Indemnity Benefit Rider		
Project Name/Number:	Group Outpatient Prescription Drug Indemnity Benefit Rider/R-03024		

Filing at a Glance

Company:	Fidelity Security Life Insurance Company
Product Name:	Group Outpatient Prescription Drug Indemnity Benefit Rider
State:	District of Columbia
TOI:	H17G Group Health - Prescription Drug
Sub-TOI:	H17G.000 Health - Prescription Drug
Filing Type:	Rate
Date Submitted:	03/11/2014
SERFF Tr Num:	FDLT-129451878
SERFF Status:	Closed-APPROVED
State Tr Num:	
State Status:	
Co Tr Num:	R-03024 - RATE
Implementation	On Approval
Date Requested:	
Author(s):	Jennifer Glaser, Kelly Humiston, Teresa Saling, Danielle Menzel, Philip Kostelac
Reviewer(s):	Darniece Shirley (primary), Alula Selassie, Donghan Xu
Disposition Date:	04/02/2014
Disposition Status:	APPROVED
Implementation Date:	04/02/2014

State Filing Description:

State: District of Columbia
TOI/Sub-TOI: H17G Group Health - Prescription Drug/H17G.000 Health - Prescription Drug
Product Name: Group Outpatient Prescription Drug Indemnity Benefit Rider
Project Name/Number: Group Outpatient Prescription Drug Indemnity Benefit Rider/R-03024

General Information

Project Name: Group Outpatient Prescription Drug Indemnity Benefit Rider
Status of Filing in Domicile: Pending
Project Number: R-03024
Date Approved in Domicile:
Requested Filing Mode: Review & Approval
Domicile Status Comments: Filing was submitted to Missouri, our domicile state, on 02/27/2014.
Explanation for Combination/Other: Market Type: Group
Submission Type: New Submission
Group Market Type: Employer, Association, Other
Group Market Size: Small and Large
Overall Rate Impact: Explanation for Other Group Market Type: Union
Filing Status Changed: 04/02/2014
State Status Changed:
Deemer Date: Created By: Danielle Menzel
Submitted By: Philip Kostelac
Corresponding Filing Tracking Number: FDLT-129451875;
FDLT-129246733; FDLT-129246826

Filing Description:

Fidelity Security Life Insurance Company
NAIC #71870 FEIN #43-0949844
Group Outpatient Prescription Drug Indemnity Insurance
Rates and Actuarial Memorandum for R-03024DC – Group Outpatient Prescription Drug Indemnity Rider

We respectfully submit the above Rates and Actuarial for your review and approval to be used with Rider R-03024DC submitted under SERFF filing #FDLT-129451875.

This filing is for coverage sold via one-on-one direct agent sales to eligible Groups.

This product provides outpatient prescription drug benefits for prescription drugs purchased at retail pharmacies. There are three plans that may be elected:

- 1) a per Insured Person, per day benefit for any Prescription Drug;
- 2) a per Insured Person, per day benefit with different benefit amount for Generic Prescription Drugs or Brand Name Prescription Drugs; and
- 3) a per Insured Person, per day benefit for Generic Prescription Drugs and a separate per Insured Person, per day benefit for Brand Name Prescription Drugs.

If you have questions or need additional information, please do not hesitate to contact me at 1-800-648-8624 (extension 1143) or e-mail me at jglaser@fslins.com.

Company and Contact

Filing Contact Information

Jennifer Glaser, Sr. Contract Analyst
3130 Broadway
Kansas City, MO 64111-2406
jglaser@fslins.com
800-648-8624 [Phone] 1143 [Ext]
816-968-0503 [FAX]

State: District of Columbia **Filing Company:** Fidelity Security Life Insurance Company
TOI/Sub-TOI: H17G Group Health - Prescription Drug/H17G.000 Health - Prescription Drug
Product Name: Group Outpatient Prescription Drug Indemnity Benefit Rider
Project Name/Number: Group Outpatient Prescription Drug Indemnity Benefit Rider/R-03024

Filing Company Information

Fidelity Security Life Insurance
Company
3130 Broadway
Kansas City, MO 64111-2406
(800) 648-8624 ext. [Phone]

CoCode: 71870
Group Code: 451
Group Name:
FEIN Number: 43-0949844

State of Domicile: Missouri
Company Type: Life & Health
State ID Number:

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State:	District of Columbia	Filing Company:	Fidelity Security Life Insurance Company
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Rate Information

Rate data applies to filing.

Filing Method:	SERFF
Rate Change Type:	Neutral
Overall Percentage of Last Rate Revision:	0.000%
Effective Date of Last Rate Revision:	
Filing Method of Last Filing:	Initial

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Fidelity Security Life Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

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Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		R-03024 Rate Manual(Final)	R-03024DC	New		R-03024 Rate Manual(Final).pdf,

Rate Manual

Fidelity Security Life Insurance Company Group Outpatient Prescription Drug Indemnity Benefit Rider Form Number: R-03024

Section I: Premium Rate Algorithm:

- a. Monthly Claims Cost for the selected plan
- b. Trend Adjustment
- c. Trend Adjusted Monthly Claims Cost
- d. Factor Adjustments:
 - i. Pre-Ex Adjustment
 - ii. Age Adjustment
 - iii. Gender Adjustment
- e. Factor Adjusted Monthly Claims Cost:
- f. Pricing Loss Ratio
- g. Single Insured Gross Monthly Rate
- h. Gross Monthly Tiered Rates

Sample Assumptions:

*Option One - \$15 per script - 6 day Annual Max
January 1, 2014 Effective Date*

*None
60% Female
20% Age 50+*

Source Reference:

*Section II x units of coverage
Section III
 $a \times (1 + b)$

Section IV
Section IV
Section IV
 $c \times (d.i.) \times (d.ii.) \times (d.iii.)$
Input
 e / f*

Sample Calculation:

3.93
1.000
3.930
1.000
1.042
1.000
4.094
50.0%
8.189
8.19
16.38
15.39
23.58
8.19
16.08
22.40

Four Tier **Single Insured**
 Insured + Spouse
 Insured + Children
 Family

Three Tier **Single Insured**
 Insured + One
 Family

$h \times 1.000$
 $h \times 2.000$
 $h \times 1.880$
 $h \times 2.880$

 $h \times 1.000$
 $h \times 1.964$
 $h \times 2.736$

Section II: Monthly Claims Costs per Unit - Effective January 1, 2014

Annual Max	Option One	Option Two	Option Three
6 days	1.31	1.86	2.76
12 days	1.97	2.76	3.67
18 days	2.39	3.31	4.07
24 days	2.67	3.67	4.26
36 days	3.01	4.07	4.40

Option One - 1 \$5 script per day
Option Two - 1 \$5 generic OR 1 \$10 brand per day
Option Three - 1 \$5 generic AND 1 \$10 brand per day

Section III: Premium Rate Trend

The claims costs in Section II are developed for a January 1, 2014 effective date. The Company may periodically adjust the premium rates to reflect drug trend and the actual experience; the adjustment will be up to 7% a year and will be applied to all new and re-applied business. For groups effective prior to January 1, 2014, premium rates should be adjusted downward at the same trend rate.

Section IV: Adjustment Factors

Pre-Ex Factors		Factor
12/12		0.900
None		1.000
Gender Factors	% Female	Factor *
	0%	0.885
	20%	0.937
	40%	1.000
	60%	1.042
	80%	1.094
	100%	1.146
Age Factors	% 50 or Older	Factor *
	0%	0.867
	20%	1.000
	40%	1.115
	60%	1.239
	80%	1.363
	100%	1.488

* Interpolate for factors not specifically listed.

CONFIDENTIALITY

Fidelity Security Life Insurance Company wishes to keep the information contained within this rate manual confidential.

Prepared: February 10, 2014

State:	District of Columbia	Filing Company:	Fidelity Security Life Insurance Company
TOI/Sub-TOI:	H17G Group Health - Prescription Drug/H17G.000 Health - Prescription Drug		
Product Name:	Group Outpatient Prescription Drug Indemnity Benefit Rider		
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Supporting Document Schedules

Satisfied - Item:	Cover Letter All Filings
Comments:	Please see Filing Description on the General Information Tab.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Certificate of Authority to File
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum
Comments:	Please see attached.
Attachment(s):	Actmemo-FSL Rx Indemnity Rider-R-03024-ExpensesDetailed50%LR_TR 3-26-14.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Justification
Comments:	Please see Actuarial Memorandum.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

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Bypassed - Item:	Actuarial Memorandum and Certifications
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Unified Rate Review Template
Bypass Reason:	Not applicable.
Attachment(s):	
Item Status:	
Status Date:	

FIDELITY SECURITY LIFE INSURANCE COMPANY

ACTUARIAL MEMORANDUM

Group Outpatient Prescription Drug Indemnity Benefit Rider
Policy Form: R-03024

1. Scope and Purpose: I, Timothy K. Robinson, am a Partner with Windsor Strategy Partners, LLC ("WSP"). I have been a Member of the American Academy of Actuaries since 1994 and a Fellow of the Society of Actuaries since 1998. I have been retained by Fidelity Security Life Insurance Company ("FSL") to provide an actuarial memorandum in support of its rate filing for Group Outpatient Prescription Drug Indemnity Insurance. The purpose of this memorandum is to justify the rates to be charged, as required by applicable state law. This filing is for a new product using new policy forms. This rate filing is not intended to be used for any other purpose. This is a new product filing.

2. Benefit Description:

The indemnity Prescription Drug Benefit amount shown in the Schedule of Benefits is payable for each day an Insured Person fills a prescription for a Medically Necessary Outpatient Legend Drug at a retail pharmacy as a result of a covered Injury or Sickness. Such drugs must be prescribed by a Physician. Benefits are limited to the maximum shown in the Schedule of Benefits and are subject to all of the definitions, limitations, exclusions, and conditions of the Policy to which the rider is attached.

Option One. Only one benefit is payable per day, no matter how many prescriptions are filled in a single day. The benefit amount for Brand Name drugs equals the benefit amount for Generic drugs.

Option Two. Only one benefit is payable per day, no matter how many prescriptions are filled in a single day. The benefit amount for Brand Name drugs equals two times the benefit amount for Generic drugs. If two or more prescriptions are filled in a single day, the Benefit paid will be for the prescription providing the greater benefit amount.

Option Three. Only one Generic benefit and one Brand Name benefit is payable per day, no matter how many prescriptions are filled in a single day. The benefit amount for Brand Name drugs equals two times the benefit amount for Generic drugs.

3. Renewability: Optionally renewable

FIDELITY SECURITY LIFE INSURANCE COMPANY
Group Outpatient Prescription Drug Indemnity Benefit Rider
Form Numbers: R-03024
Actuarial Memorandum
Page 2 of 3

4. **Morbidity:** Expected claim costs were derived from the Actuarial Advisor Prescription Drug Rating model ("AA Model") developed by and distributed in the health insurance and reinsurance market by Windsor Strategy Partners, LLC (WSP). Assumptions were incorporated within the AA Model regarding the fixed indemnity benefit parameters in order to estimate expected per-member-per-month claim costs per unit of indemnity benefit for each benefit option.
5. **Persistency:** Persistency is not considered in establishing the premium rates.
6. **Interest:** Interest is not considered in establishing the premium rates.
7. **Expenses:** Expense assumptions used in pricing are benchmarks only and based on the Company's expected costs for selling and administering this product. Expense loads will not exceed 55.8% of gross premium for any given group and are expected to be 50.0% of gross premium on average. The minimum pricing loss ratio for this policy is 44.2% with an anticipated loss ratio of 50.0%.

Anticipated Expenses

TPA Administration & Marketing	10.0%
Commission	26.0%
Carrier Administration & Fees	4.0%
Premium Tax and Fees	2.5%
Claims Fluctuation and Profit Margin	7.5%
Total	50.00%

Anticipated Loss Ratio **50.00%**

8. **Marketing Method:** This product will be distributed by independent agents and agencies directly to eligible organizations via one-on-one agent sales. This rider is intended to provide fixed indemnity outpatient prescription drug coverage to part-time, full-time, and entry-level employees or members and their dependents. Coverage options are selected by the group policyholder of the policy to which this rider is attached. Employees or members may enroll in the packaged plan elected by their employer, association or union.
9. **Underwriting:** Underwriting is performed at the group level. Underwriters have the authority to vary quoted rates from manual rate levels within underwriting guidelines established by FSL. There is no individual medical underwriting of any group insured member. Participation requirements may apply for certain size groups.
10. **Premium Classes:** Premiums vary by benefit plan, age and gender distribution and family structure.

- 11. Issue Age Range:** Coverage is available at all ages. There is no limiting age. However, this policy is intended for the actively-at-work population. Coverage may end for a Dependent spouse or child when the Dependent is no longer considered an eligible Dependent, as described in the policy.
- 12. Area Factors:** There is no rate variation based on area.
- 13. Average Annual Premium:** Expected to be \$320 per certificate.
- 14. Claim Reserves and Liabilities:** Reserves for claims incurred but not paid will be established using a lag factor approach. This method uses claim payment history to estimate the total amount of claims that have been incurred for a particular time period. From that amount, the known claims are subtracted to determine the appropriate level of liability to be reported.
- 15. Trend Assumptions:** To bring the morbidity data forward to the effective date requested for this filing, trend factors were applied within the AA Model rating algorithm described in Section 4. The assumed annual trend rate applied was 7.1%, of which 1.5% reflects trend in utilization of services. FSLIC may periodically adjust the premium rates to reflect drug trend and the actual experience; the adjustment will be up to 7% per year and will be applied to all new and re-applied business.
- 16. Proposed Effective Date:** January 1, 2014 or upon approval, if later.
- 17. Actuarial Certification:**
To the best of my knowledge and judgment:
- This Actuarial Memorandum and the entire rate filing are in compliance with the applicable laws of the State and with the rules of the Department of Insurance.
 - The filing complies with all applicable Actuarial Standards of Practice, as adopted by the Actuarial Standards Board.
 - The benefits provided are reasonable in relation to the proposed premiums.
 - The premium schedule is not excessive, inadequate, nor unfairly discriminatory.



Timothy K. Robinson, FSA, MAAA
Partner
Windsor Strategy Partners, LLC
March 26, 2014

State:	District of Columbia	Filing Company:	Fidelity Security Life Insurance Company
TOI/Sub-TOI:	H17G Group Health - Prescription Drug/H17G.000 Health - Prescription Drug		
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Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
03/11/2014		Supporting Document	Actuarial Memorandum	03/26/2014	Actmemo-FSL Rx Indemnity Rider-R-03024-Generic(Final).pdf (Superceded)

FIDELITY SECURITY LIFE INSURANCE COMPANY

ACTUARIAL MEMORANDUM

Group Outpatient Prescription Drug Indemnity Benefit Rider
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6. **Interest:** Interest is not considered in establishing the premium rates.
7. **Expenses:** Expense assumptions used in pricing are based on the Company's expected costs for selling and administering this product. Expense loads will not exceed 55.8% of gross premium for any given group and are expected to be 50.0% of gross premium on average. The minimum pricing loss ratio for this policy is 44.2% with an anticipated loss ratio of 50.0%.
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16. Proposed Effective Date: January 1, 2014 or upon approval, if later.

17. Actuarial Certification:

To the best of my knowledge and judgment:

- This Actuarial Memorandum and the entire rate filing are in compliance with the applicable laws of the State and with the rules of the Department of Insurance.
- The filing complies with all applicable Actuarial Standards of Practice, as adopted by the Actuarial Standards Board.
- The benefits provided are reasonable in relation to the proposed premiums.
- The premium schedule is not excessive, inadequate, nor unfairly discriminatory.



Timothy K. Robinson, FSA, MAAA
Partner
Windsor Strategy Partners, LLC
February 13, 2014